



**GAUTENG PROVINCE**

EDUCATION  
REPUBLIC OF SOUTH AFRICA

# PROVINCIAL EXAMINATION

## NOVEMBER 2022

### GRADE 11

**ACCOUNTING  
(PAPER 1)**

**TIME: 2 hours**

**MARKS: 150**

**10 pages + 1 formula page and an answer book of 9 pages**

*Stanmorephysics*

**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. Where applicable, round off all calculations to the nearest rand. All other calculations must be rounded off to one decimal place.
6. Read the instructions of each question carefully and follow them precisely.
7. Learners will forfeit marks for:
  - The use of non-standardised abbreviations
  - Overwriting of figures or words
  - Superfluous/foreign entries
8. You may use a non-programmable calculator.
9. You may use blue/black ink to answer the questions.
10. Use the information in the table as a guide when answering the question paper. Try not to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	Fixed Assets and Internal Control	25	20 minutes
2	Statement of Comprehensive Income	50	45 minutes
3	Partnerships	40	30 minutes
4	Financial Indicators	35	25 minutes
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

**QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL** (25 marks; 20 minutes)**RnB TRADERS**

You are provided with information relating to RnB Traders on 28 February 2022, the end of the financial year.

**REQUIRED:**

- 1.1 Complete the table provided in your answer book. (10)
- 1.2 Prepare the Tangible Assets Note. Show all calculations to earn part-marks. (10)
- 1.3 Answer the following questions.
- 1.3.1 The land and buildings were revalued in January 2021 and the market value is R700 000. The financial records of RnB Traders are reflecting R400 000. Which GAAP principle is being applied? (2)
- 1.3.2 RnB Traders want to invest in a transport business. The owner intends to buy two trucks towards the end of December 2022 to transport goods throughout South Africa. The owner is concerned about high maintenance expenses of trucks and he needs your advice. Provide THREE points. (3)

**INFORMATION:**

<b>Balances on 1 March 2021</b>			
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
<b>Land and buildings</b>	400 000	( 0)	400 000
<b>Vehicles</b>	300 000	(76 000)	224 000
<b>Equipment</b>	80 000	(20 000)	60 000

**TRANSACTIONS****(a) Land and buildings:**

- During June 2021 the owner made some extensions to the building with a total cost of R120 000.
- After heavy rains caused damage to some parts of the building, the owner spent R25 000 to repair the storeroom.

**(b) Vehicles**

- On the 31 August 2021, the business traded in an old vehicle which cost R100 000 at Mzansi Car Dealers for R55 000.
- The vehicle that was traded in was purchased on 1 March 2019.
- The vehicle traded in had an accumulated depreciation of R36 000 on 1 March 2021.
- The cost of the new vehicle purchased was R150 000.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method.

**Equipment:**

- RnB Traders bought two new laptops at a cost of R6 000 each on 30 November 2021.
- Depreciation on equipment is calculated at 10% p.a. on the cost price method.

25



**QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME (50 marks; 45 minutes)****MK TRADERS**

The following information was taken from the accounting records of MK Traders, a business owned by former cricketer, Makhaya Ntini. The last day of the financial year is 30 June 2022.

**REQUIRED:**

- 1.1 Prepare the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2022.

**INFORMATION:**

1.

List of some of the balances and totals of MK Trades on 30 June 2022	
Trading stock	81 000
Debtors' control	53 000
Fixed deposit: SACB (8% p.a.)	12 500
Provision for bad debts (1 July 2021)	1 500
Sales	1 032 000
Cost of sales	427 000
Debtors allowances	32 000
Salaries and wages	125 000
Water and electricity	25 000
Rent income	47 250
Discount allowed	1 500
Insurance	6 400
Packing materials	4 200
Stationery	4 100
Bad debts	1 500
Medical contribution	3 000
Discount received	4 200
Interest on fixed deposit	500
Bad debts recovered	1 000
UIF contribution	1 250
Skills development levy	1 250
Bank charges	840
Interest on overdraft	360
Sundry expenses	41 000

**2. Adjustments and additional information:**

- 2.1 Packing material of R500 purchased on 21 August 2021 was incorrectly posted to the stationery account.
- 2.2 A credit note for R225 issued on 30 August 2021 to Tendulkar has not been recorded. The stock was returned by Tendulkar because the wrong colour T-shirts were sent to him. The mark-up on cost for these goods was 50%.
- 2.3 Included in the insurance amount is an annual premium of R2 400 paid for the period 1 January 2022 to 31 December 2022.
- 2.4 According to a physical stock count, the following were on hand at the end of the year:  
Trading stock, R79 100  
Packing material, R900
- 2.5 Rent income includes rent received until 31 July 2022. The monthly rent was increased by 10% with effect from 28 February 2022.
- 2.6 The loan statement received from ICC showed the following:

Balance on 1 July 2021	42 875
Repayments for the year	10 000
Interest capitalised for the year	??
Balance on 30 June 2022	40 000

- 2.7 David Warner, a debtor whose account had been previously written off, deposited an amount of R210 in the bank account of the business on 25 August 2021. The bookkeeper entered the amount in the debtors' control column in the Cash Receipts Journal by mistake and posted it as such. Correct the error.
- 2.8 The following information taken from the Salaries Journal for June 2022 has not yet been entered in the books of the business:

Gross salary	30 000
Medical aid deductions	1 300
Pension deductions	700
PAYE deduction	6 000
UIF deduction	300
Medical contributions	2 600
UIF contributions	300
SDL contributions	300

- 2.9 The account of Gibbs, a debtor, for R450 must be written off as it came to light that he has left the country to play cricket in Japan.

- 2.10 The provision for bad debts must be decreased by R200.
- 2.11 Some of the interest on the fixed deposit is outstanding. Interest is not capitalised.
- 2.12 The water and electricity account for August 2022 has been received but not paid, R5 000.
- 2.13 Depreciation calculated for the year was R27 470.

50

**QUESTION 3: PARTNERSHIPS****(40 marks; 30 minutes)****BRYAN ADAMS STORES**

The following information was taken from the accounting records of Bryan Adam Stores with partners A. Bryan and B. Adam. Their financial year ends annually on 28 February. **Where necessary please round all answers to the nearest rand.**

**REQUIRED:**

- 3.1 State whether the following statements are TRUE or FALSE. Write only True or False next to the question numbers 3.1.1 to 3.1.5 in the ANSWER BOOK.
- 3.1.1 Owners' Equity for a partnership consists of capital and drawings only.
- 3.1.2 All current accounts are current liabilities.
- 3.1.3 The partnership agreement stipulates the amount of capital that each partner must contribute to the business.
- 3.1.4 The partners' earnings are recorded in the Capital Account.
- 3.1.5 A partner can choose when to increase or decrease his/her capital account balance without informing the other partners. (5)
- 3.2 Use the information below to prepare the Current Account Note on 28 February 2022. (23)
- 3.3 Prepare the Equity and Liabilities section of the Statement of Financial Position (Balance Sheet) on 28 February 2022. Where notes are not required, show all calculations in brackets to earn part-marks. (12)

**INFORMATION:**

1. The following balances appeared, amongst others, in the books of Bryan Adam Stores on 28 February 2022:

Capital: A. Bryan	200 000
Capital: B. Adam	100 000
Current Account: A. Bryan (1 March 2021)	(Cr) 6 300
Current Account: B. Adam (1 March 2021)	(Dr) 1 400
Drawings: A. Bryan (See no. 4 below.)	???
Drawings: B. Adam	132 600
Loan: AB Bank (See no. 6 below.)	???
Trade and other payables (See no. 5 below.)	45 050
Bank Overdraft	11 940

2. The net profit as calculated in the Income Statement for the year ended 28 February 2022 amounts to R311 300.
3. The partnership agreement stipulates the following:
- 3.1 Partners will receive the following salaries:
- A. Bryan – R6 700 per month
  - B. Adam – R102 000 per annum
- 3.2 A. Bryan should receive a bonus of R16 000 for extra services rendered.
- 3.3 The partners must receive 15 % interest per annum on their capital. The rate was changed to 18 % per annum on 1 September 2021.

**NOTE:**

- (a) A. Bryan increased his capital by R40 000 on 1 December 2021 – this was properly recorded at the time.
- (b) B. Adam decreased his capital contribution by R20 000 on 1 September 2021 – this has not been recorded, as the accountant was ill on the day of the transaction.
- 3.4 Profits or losses are shared according to the ratio 5 : 2 for A. Bryan and B. Adam respectively.
4. A. Bryan withdrew the following during the year:
- At the end of each month an amount equivalent to his monthly salary, according to the partnership agreement:
  - A once-off cash withdrawal of R4 670 AND Trading stock with a cost price of R8 790 for personal use.





5. The business received rental income for 2 months in advance, R10 500.
6. The loan from AB Bank was taken out on 31 January 2020. A repayment of R15 000 is made annually on 28 February. The payment for this year was made on 28 February 2022, however this has not been recorded in the books of the business.
7. The debt : equity ratio for 2022 was 0,4 : 1

40

**QUESTION 4: FINANCIAL INDICATORS****(35 marks; 25 minutes)****VERMAAK DESIGNERS**

The information provided below was extracted from the Financial Statements of Vermaak Designers. Partners Verma and Marcus started their interior design business in 2019.

**REQUIRED:**

Answer the questions below in the ANSWER BOOK provided.

**Note:** Where relevant, answers should include financial indicators and figures.  
**Round off all answers to one decimal place.**

- 4.1 Calculate the percentage return earned on average equity for the business for 2022. (5)
- 4.2 Calculate the percentage return earned by Verma on his average equity for 2022. (5)
- 4.3 Comment on the two return financial indicators of the business mentioned in QUESTIONS 4.1 and 4.2. (4)
- 4.4 Calculate the Debt : Equity ratio for 2022. (4)
- 4.5 In your opinion, was it a good idea to increase the loan? Motivate your answer. (4)
- 4.6 Calculate the current ratio for 2022. (3)
- 4.7 Calculate the acid-test ratio for 2022. (4)
- 4.8 Comment briefly on the liquidity position of the business for 2022. Provide TWO financial indicators with figures. (6)

**INFORMATION:**

1. **Extract from the Income Statement for the year ended 28 February 2022**

	2022	2021
Turnover	570 000	600 000
Cost of sales	380 000	450 000
Gross profit	190 000	150 000

## 2. Extract from the Balance Sheet for the year ended 28 February 2022:

	2022	2021
Non-current assets	690 000	459 000
Current assets	160 000	145 000
Inventories	95 000	91 000
Owners' Equity	420 000	234 000
Capital: Verma	200 000	160 000
Capital: Marcus	200 000	80 000
Current account: Verma	8 000	2 000
Current account: Marcus	12 000	(8 000)
Non-current liabilities	360 000	280 000
Current liabilities	70 000	90 000

## 3. Additional information:

- 3.1 The net profit for the year ended 28 February 2022 amounted to R58 000.
- 3.2 Partner Verma earned a total of R37 000 for the year ended 28 February 2022.
- 3.4 The following financial indicators were calculated for 2021:

Ratio	Results
Return earned on business equity	24%
Return earned by Verma	26%
Return earned by Marcus	23%
Debt: Equity ratio	1,2 : 1
Stock turnover rate	9 times
Gross profit percentage on cost of sales	33 $\frac{1}{3}$ %
Interest on fixed deposits	9%
Current ratio	1,6 : 1
Acid-test ratio	0,6 : 1

- 3.5 The interest rate on the loan from Rand Bank is 21% p.a. and the interest paid during the current year amounted to R57 600

## ANNEXURE

## FORMULA SHEET

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating Expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total Earnings by Partner}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average Partners' Equity}} \times \frac{100}{1}$	
Current Assets: Current Liabilities	Current Assets – Inventories: Current Liabilities	
$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Average Creditors}}{\text{Credit Purchases or Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	
$\frac{\text{Average Inventories}}{\text{Cost of Sales}} \times \frac{365}{1}$ or $\frac{12}{1}$	$\frac{\text{Cost of Sales}}{\text{Average Inventories}}$	
Non-current Liabilities: Partners' Equity	Total Assets: Total Liabilities	
$\frac{\text{Fixed Cost}}{\text{Selling price per unit} - \text{Variable costs per unit}}$		





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**ACCOUNTING  
(PAPER 1)**

**ANSWER BOOK**

**TIME:** 2 hours

**MARKS:** 150

**9 pages**

<b>Name of school</b>	
<b>Name of learner</b>	
<b>Grade</b>	
<b>Date</b>	

<b>QUESTION</b>	<b>TOPIC</b>	<b>MAXIMUM MARKS</b>	<b>MARKS OBTAINED</b>	<b>MODERATED MARKS</b>
1	Fixed Assets and Internal Control	25		
2	Statement of Comprehensive Income	50		
3	Partnerships	40		
4	Financial Indicators	35		
	<b>Total</b>	<b>150</b>		

**QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL (25 marks; 20 minutes)**

**1.1 Calculations: Depreciation**

<b>Vehicles</b>		
<b>Sold</b>	<b>Remaining (old)</b>	<b>New</b>
<b>Total depreciation for current year:</b>		

<b>Equipment</b>	
<b>Old</b>	<b>New</b>
<b>Total depreciation for current year:</b>	



<b>10</b>

1.2

<b>Tangible Assets</b>	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
Carrying value on (01-03-2021)	400 000	224 000	60 000
Cost	400 000	300 000	80 000
Accumulated depreciation		(76 000)	(20 000)
<b>Movements</b>			
Additions at cost			12 000
Disposals at carrying value			
Depreciation			
Carrying value on (28-02-2022)			
Cost	520 000	350 000	92 000
Accumulated depreciation			

10

1.3.1	The land and buildings were revalued in January 2021 and the market value is R700 000. The financial records of RnB Traders are reflecting R400 000. Which GAAP principle being applied?	(2)

1.3.2	The owner is concerned about high maintenance expenses of trucks and he needs your advice. Provide THREE points.	(3)

TOTAL MARKS

25

**QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME (50 marks: 45 minutes)**

MK Traders

Statement of Comprehensive Income for the year ended 30 June 2022

Sales (1 032 000)	
Cost of sales (427 000)	
Gross profit	
Other operating income	
Rent income (47 250)	
Discount received	4 200
Gross operating income	
Other operating expenses	
Salaries and wages	
Water and electricity	
Discount allowed	1 500
Insurance	
Packing material (4 200)	
Stationery (4 100)	
Bad debts	
Medical contribution	
UIF contribution	
Skills development levy	
Bank charges	
Sundry expenses	41 000
Operating profit	
Profit before interest expense	
Net profit for the year	

50


TOTAL MARKS

50

**QUESTION 3: PARTNERSHIPS**

**(40 marks: 30 minutes)**

**3.1**

3.1.1	
3.1.2	
3.1.3	
3.1.4	
3.1.5	

<b>5</b>

**Bryan Adam Stores**

**Notes to Financial Statements as at 28 February 2022**

**3.2**

<b>Current Accounts</b>	<b>A. Bryan</b>	<b>B. Adam</b>	<b>Total</b>
Net profit as per income statement			
Partners' salaries			
Partners' bonuses	<b>16 000</b>	<b>0</b>	
Partners' interest on capital			
Primary distribution of profits			
Final distribution of profits			
Drawings for the year			
Retained income for the year			
Balance at beginning of the year			
Balance at end of the year			

<b>23</b>





**Bryan Adam Stores****Extract of the Statement of Financial Position as at 28 February 2022**

3.3	<b>EQUITY AND LIABILITIES</b>		
	<b>OWNERS' EQUITY</b>		
	Capital		280 000
	Current accounts		
	<b>NON-CURRENT LIABILITIES</b>		
	Loan: AB Bank		
	<b>CURRENT LIABILITIES</b>		
	Trade and other payables		
	Bank overdraft		
	Short term loan		
	<b>TOTAL EQUITY AND LIABILITIES</b>		

12

Calculations for drawings: A. BryanCalculation for salaries: A. Bryan

**Calculations for interest on capital: A. Bryan**

Total

**Calculations for interest on capital: B. Adam**

Total

**Calculation for share of remaining profit/loss: A. Bryan****Calculation for share of remaining profit/loss: A. Bryan****Calculation of loan**



TOTAL MARKS


40



## QUESTION 4: FINANCIAL INDICATORS

(35 marks; 25 minutes)

4.1	Calculate the percentage return earned on average equity for the business for 2022.	(5)
		
4.2	Calculate the percentage return earned by Verma on his average equity for 2022.	(5)
4.3	Comment on the two return financial indicators of the business mentioned in QUESTIONS 4.1 and 4.2.	(4)
4.4	Calculate the Debt : Equity ratio for 2022.	(4)
		

4.5	In your opinion was it a good idea to increase the loan? Motivate your answer.	(4)
		
4.6	Calculate the current ratio for 2022.	(3)
4.7	Calculate the acid-test ratio for 2022.	(4)
4.8	Comment briefly on the liquidity position of the business for 2022. Provide TWO financial indicators with figures.	(6)

TOTAL MARKS
35



TOTAL: 150

END



# PROVINCIAL EXAMINATION

## NOVEMBER 2022

### GRADE 11

## MARKING GUIDELINES

### ACCOUNTING (PAPER 1)

9 pages

#### MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced items). No double-penalty is applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
10. Be aware of candidates who provide valid alternatives beyond the marking guidelines.
11. Codes: f = foreign item; p = placement/presentation.

## QUESTION 1: FIXED ASSETS AND INTERNAL CONTROL

(25 marks; 20 minutes)

## 1.1 Calculations: Depreciation

Vehicles		
Sold	Remaining (old)	New
$100\,000 - 36\,000 = 64\,000$	$300\,000 - 100\,000 = 200\,000 \checkmark$	$150\,000 \times 20\% = 30\,000$
$64\,000 \times 20\% = 12\,800$	$76\,000 - 36\,000 = 40\,000 \checkmark$	
$= 12\,800 \times \frac{6}{12} = 6\,400 \checkmark \square$	$160\,000 \times 20\% = 32\,000 \checkmark$	$= 30\,000 \times \frac{6}{12} = 15\,000 \checkmark \square$
<b>Total depreciation for current year: <math>6\,400 + 32\,000 + 15\,000 = 53\,400</math></b>		

Equipment	
Old	New
$80\,000 \times 10\% = 8\,000 \checkmark$	$6\,000 \times 2 = 12\,000$
	$12\,000 \times 10\% = 1\,200$
	$= 1\,200 \times \frac{3}{12} = 300 \checkmark \square$
<b>Total depreciation for current year: <math>8\,000 + 300 = 8\,300</math></b>	



10

1.2

<b>Tangible Assets</b>	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
Carrying value on (01-03-2021)	400 000	224 000	60 000
Cost	400 000	300 000	80 000
Accumulated depreciation		(76 000)	(20 000)
<b>Movements</b>			
Additions at cost	√ 120 000	√ 150 000	12 000
Disposals at carrying value		√√ (57 600)	
Depreciation		☑ (53 400)	☑ (8 300)
Carrying value on (28-02-2022)	520 000	☑ 263 000	☑ 63 700
Cost	520 000	350 000	92 000
Accumulated depreciation		☑ (87 000)	☑ (28 300)

10
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1.3.1

<b>The land and buildings were revalued in January 2021 and the market value of the land and buildings is R700 000. The financial records of RnB Traders are reflecting R400 000. Which GAAP principle is being applied?</b>	<b>(2)</b>
Historical cost concept √√	

1.3.2

<b>The owner is concerned about high maintenance expenses of trucks and he needs your advice. Provide THREE points.</b>	<b>(3)</b>
<ul style="list-style-type: none"> <li>• Keep a log book.</li> <li>• Install tracking devices on all trucks.</li> <li>• Take out a maintenance or service plan.</li> </ul> <p>√√√ <b>Any THREE acceptable answers.</b></p>	

TOTAL: 25
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## QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

(50 marks: 45 minutes)

MK Traders

Statement of Comprehensive Income for the year ended 30 June 2022

Sales (1 032 000 + 32 000 $\checkmark$ - 225 $\checkmark$ )	<input checked="" type="checkbox"/> 999 775
Cost of sales (427 000 - 150 $\checkmark$ )	<input checked="" type="checkbox"/> (426 850)
Gross profit	<input checked="" type="checkbox"/> 572 925
Other operating income	<input checked="" type="checkbox"/> 49 010
Rent income ( 47 250 - 3 850 $\checkmark\checkmark$ )	<input checked="" type="checkbox"/> 43 400
Discount received	4 200
Bad debts recovered (1 000 + 210 $\checkmark$ )	<input checked="" type="checkbox"/> 1 210
Provision for bad debts adjustment	$\checkmark\checkmark$ 200
Gross operating income	<input checked="" type="checkbox"/> 621 935
Other operating expenses	<input checked="" type="checkbox"/> (281 110)
Salaries and wages (125 000 + 30 000)	$\checkmark\checkmark$ 155 000
Water and electricity (25 000 + 5 000)	$\checkmark\checkmark$ 30 000
Discount allowed	1 500
Insurance (6 400 - 1 200)	$\checkmark\checkmark$ 5 200
Packing material (4 200 + 500 $\checkmark$ - 900 $\checkmark\checkmark$ )	<input checked="" type="checkbox"/> 3 800
Stationery (4 100 - 500 $\checkmark$ )	<input checked="" type="checkbox"/> 3 600
Bad debts (1 500 + 450)	$\checkmark\checkmark$ 1 950
Medical contribution (3 000 + 2 600)	$\checkmark\checkmark$ 5 600
UIF contribution (1 250 + 300)	$\checkmark\checkmark$ 1 550
Skills development levy (1 250 + 300)	$\checkmark\checkmark$ 1 550
Bank charges	$\checkmark$ 840
Sundry expenses	41 000
Trading Stock deficit (81 000 + 150 $\checkmark$ - 79 100 $\checkmark$ )	<input checked="" type="checkbox"/> $\checkmark$ 2 050
Depreciation	$\checkmark$ 27 470
Operating profit	<input checked="" type="checkbox"/> 340 825
Interest income (500 + 500)	$\checkmark\checkmark$ 1 000
Profit before interest expense	<input checked="" type="checkbox"/> 341 825
Interest expense (360 + 7 125 $\checkmark\checkmark$ )	<input checked="" type="checkbox"/> (7 485)
Net profit for the year	<input checked="" type="checkbox"/> 334 340

TOTAL: 50



## QUESTION 3: PARTNERSHIPS

(40 marks; 30 minutes)

3.1	3.1.1	False ✓
	3.1.2	False ✓
	3.1.3	True ✓
	3.1.4	False ✓
	3.1.5	False ✓

5

## Bryan Adam Stores

## Notes to Financial Statements as at 28 February 2022

3.2	Current Accounts	A. Bryan	B. Adam	Total
	Net profit as per income statement	174 600	136 700	✓ 311 300
	Partners' salaries <b>see calculations below</b>	✓✓ 80 400	✓ 102 000	182 400
	Partners' bonuses	<b>16 000</b>	<b>0</b>	16 000
	Partners' interest on capital <b>see calculations below</b>	✓✓✓ 28 200	✓✓ 14 700	42 900
	Primary distribution of profits	☑ 124 600	☑ 116 700	☑ 241 300
	Final distribution of profits <b>see calculations below</b>	☑ 50 000	☑ 20 000	☑ 70 000
	Drawings for the year <b>see calculations below</b>	✓✓ (93 860)	✓ (132 600)	(226 460)
	Retained income for the year	80 740	4 100	84 840
	Balance at beginning of the year	✓ 6 300	✓ (1 400)	4 900
	Balance at end of the year	☑ 87 040	☑ 2 700	☑ 89 740

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## Bryan Adam Stores

## Extract of the Statement of Financial Position as at 28 February 2022

3.3	<b>EQUITY AND LIABILITIES</b>		
	<b>OWNERS' EQUITY</b>		<input checked="" type="checkbox"/> 369 740
	Capital		<b>280 000</b>
	Current accounts		<input checked="" type="checkbox"/> 89 740
	<b>NON-CURRENT LIABILITIES</b>		147 896
	Loan : AB Bank <b>(Do not accept minus 15 000)</b>		<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 147 896 <b>See calc below</b>
	<b>CURRENT LIABILITIES</b>		<input checked="" type="checkbox"/> 82 490
	Trade and other payables (45 050 <input checked="" type="checkbox"/> + 10 500 <input checked="" type="checkbox"/> )		<input checked="" type="checkbox"/> 55 550
	Bank overdraft		<b>11 940</b>
	Short term loan		<input checked="" type="checkbox"/> 15 000
	<b>TOTAL EQUITY AND LIABILITIES</b>		<input checked="" type="checkbox"/> 600 126

12

**Calculations for drawings: A. Bryan**

$$6\,700 \times 12 = 80\,400 \quad \checkmark \text{ mark for both} + 4\,670 + 8\,790 = 93\,860$$

**Calculation for salaries: A. Bryan**

$$6\,700 \times 12 = 80\,400 \quad \checkmark\checkmark$$

**Calculations for interest on capital: A. Bryan**

$$160\,000 \times 15\% = 24\,000$$

$$24\,000 \times \frac{6}{12} = 12\,000 \checkmark$$

$$160\,000 \times 18\% = 28\,800$$

$$28\,800 \times \frac{3}{12} = 7\,200 \checkmark$$

$$200\,000 \times 18\% = 36\,000$$

$$200\,000 \times \frac{3}{12} = 9\,000 \checkmark$$

$$\text{Total} = 12\,000 + 7\,200 + 9\,000$$

**Calculations for interest on capital: B. Adam**

$$100\,000 \times 15\% = 15\,000$$

$$15\,000 \times \frac{6}{12} = 7\,500 \checkmark$$

$$80\,000 \times 18\% = 14\,400$$

$$14\,400 \times \frac{6}{12} = 7\,200 \checkmark$$

$$\text{Total} = 7\,500 + 7\,200 = 14\,700$$

**Calculation for share of remaining profit/loss: A. Bryan**

$$70\,000 \times \frac{5}{7} = 50\,000$$

**Calculation for share of remaining profit/loss: A. Bryan**

$$70\,000 \times \frac{2}{7} = 20\,000$$

**Calculation of loan**

from owners' equity

$$369\,740 \checkmark \quad \times \quad 0,4 \checkmark \quad = \quad 147\,896 \checkmark$$

<b>TOTAL: 40</b>

## QUESTION 4: FINANCIAL INDICATORS

(35 marks; 25 minutes)

4.1	<b>Calculate the percentage return earned on average equity for the business for 2022.</b>	<b>(5)</b>
	$= \frac{58\,000}{(420\,000 + 234\,000) \sqrt{\frac{1}{2}}} \times 100$ <p>654 000 2 marks 327 000 3 marks</p> $= 17,74\% \quad \checkmark$	
4.2	<b>Calculate the percentage return earned by Verma on his average equity for 2022.</b>	<b>(5)</b>
	$= \frac{37\,000}{(160\,000 + 200\,000 + 2\,000 + 8\,000) \sqrt{\frac{1}{2}}} \times 100$ <p>370 000 2 marks 185 000 3 marks</p> $= 20\% \quad \checkmark$	
4.3	<b>Comment on the two return financial indicators of the business mentioned in QUESTIONS 4.1 and 4.2.</b>	<b>(4)</b>
	<p>Ratios with trend <math>\checkmark\checkmark</math> Conclusion <math>\checkmark\checkmark</math></p> <p>The % return earned on equity for the business has decreased from last year's 24% to this year's 17,74% in 2022.</p> <p>The return earned by Verma has also decreased from 26% in 2021 to 20% in 2022.</p> <p>Overall, the return of the business is decreasing but is still above the average of about 9% which can be earned on an outside investment like a fixed deposit.</p>	
4.4	<b>Calculate the Debt : Equity ratio for 2022.</b>	<b>(4)</b>
	$360\,000 \sqrt{\phantom{x}} : (200\,000 + 200\,000 + 8\,000 + 12\,000) \sqrt{\phantom{x}}$ $360\,000 : 420\,000$ $0,86 : 1 \quad \checkmark$	

4.5	<b>In your opinion was it a good idea to increase the loan? Motivate your answer.</b>	<b>(4)</b>
	<p>Yes, it was a good idea to increase the loan. ✓          The <b>debt : equity ratio</b> ✓ has improved from 1,2:1 in 2021 to 0,86:1 in 2022.          The business has more of its own capital now than borrowed funds. ✓</p> <p>The business has also become less risky compared to last year. ✓  <b>OR</b>          No, it was a not good idea to increase the loan. ✓          Although the <b>debt : equity ratio</b> ✓ has improved from 1,2:1 in 2021 to 0,86:1 in 2022. The business has more of its own capital now than borrowed funds. ✓          The business is still highly geared/high risk. ✓</p>	
4.6	<b>Calculate the current ratio for 2022.</b>	<b>(3)</b>
	<p>Current assets : Current liabilities</p> <p>160 000 ✓ : 70 000 ✓</p> <p>2,29 : 1 ✓</p>	
4.7	<b>Calculate the acid-test ratio for 2022.</b>	<b>(4)</b>
	<p>160 000 ✓ – 95 000 ✓ : 70 000 ✓</p> <p>65 000 : 70 000</p> <p>0,93 : 1 ✓</p>	
4.8	<b>Comment briefly on the liquidity position of the business for 2022. Provide TWO financial indicators with figures.</b>	<b>(6)</b>
	<p>Ratios ✓✓ Trends ✓✓ Conclusion ✓✓</p> <p>The liquidity of the business is improving.          The current ratio has improved from 1,6 : 1 in 2021 to 2,29 : 1 in 2022.          The acid-test ratio has also improved from 0,6 : 1 in 2021 to 0,93 : 1 in 2022.          The business is more liquid now compared to last year and they would be able to convert their assets into liquid cash quickly and more efficiently.</p> <p><b>DO NOT ACCEPT STOCK TURNOVER RATE.</b></p>	

<b>TOTAL: 35</b>

TOTAL: 150